

Newrez Announcements



Announcement 2024-061 Underwriting Guideline Updates – Conforming Loans September 26, 2024

Newrez LLC "Newrez" Approved Correspondent Clients; this announcement contains the following information:

- Most recent agency announcements, effective immediately for all loans in the pipeline, unless otherwise noted
- Clarifications and/or corrections to the Newrez Guides as of September 26, 2024
- This memo also includes a summary of:
 - Previously announced guidelines have now been incorporated into the Newrez Underwriting Guide.
 - Updates to the Product Summaries and/or Overlay Matrix.

Please use this announcement as guidance until all applicable underwriting guides are published.

Agency Announcements

Freddie Mac Bulletin 2024-12

Freddie Mac is enhancing Condo Project Advisor and LPA to provide more information on the Loan Product Advisor Feedback Certificate regarding PAR findings. The Feedback Certificate currently provides information regarding the Not Eligible status PAR findings. With the September update, the Feedback Certificate will include information on certain other PAR statuses and related feedback messages. The PAR findings will be on both the CPA and LPA Feedback Certificates. **It is the Delegated Correspondent's responsibility to warrant the project as per Freddie Mac guidelines including feedback specified in the last PAR findings. The loan file must contain all documents used to warrant the project. For projects with a Project Certified status (Freddie Mac approved), a printout of the Project Certified approval must be included in the file.** The Note Date must be within 120 days of the date of the CPA or LPA Feedback Certificates.

Link to Freddie Mac Messaging for PAR findings: [LPA Feedback Messages](#)

Supplemental Consumer Information Form (SCIF) completion requirements

Guide has been updated to indicate that the Homeownership Education and Housing Counseling section of the Form 1103, SCIF should be completed for any transaction when homeownership education is required

Uniform Instrument Updates

Single -Family Uniform Instruments have been updated for the following:

Connecticut Mortgage Form - the tagline has been updated to show version date of (Form 3007 07/2021 (rev. 07/24)).

Kentucky Mortgage (Form 3018 07/2021) has updated the definition of "Lender" and "Notes" in the Mortgage and the "Transfer of Rights in the Property" paragraph. The Kentucky Short Form Mortgage has also been revised to correspond to these changes. The taglines will show a version date to include (rev. 07/24).

Flood Insurance Premium used for qualifying effective date extension

Effective date – Note Dates on or after April 1, 2025, but can be implemented immediately.

Freddie Mac announced in Bulletin 2024-7 that if a flood insurance policy on the Mortgaged Premises shows a full risk premium and a discounted premium, the full risk premium, plus any fees and surcharges, must be used to calculate the housing expense-to-income and debt payment-to-income ratios. To give lenders additional time to implement this change, the mandatory effective date has been extended from September 5, 2024 to April 1, 2025.

Fannie Mae Bulletin released on September 4, 2024

Green MBS

Fannie Mae is broadening delivery options for loans that meet eligibility criteria for their Green MBS Program. Newrez is reviewing this program for possible future adoption.

Appraisal Reports Update

Effective with applications dated on and after December 3, 2024

Fannie Mae is updating their appraisal practices policies as follows:

- Refined terminology by:
 - removing the term “employment stability,”
 - adding the term “fact-based and objective,” and
 - replacing the term “judgment” with “analysis.”
- Added a requirement for lenders to establish policies and procedures to monitor appraisals for prohibited language to mitigate the risk of discriminatory practices and appraisal bias.

DU Validation Service – revalidation of employment

Effective for new and resubmitted casefiles on and after September 20, 2024

- When employment is initially validated using an asset verification report and the loan will not close by the original “Close by Date” that is stated on the DU validation message, a supplemental asset report can be obtained and manually reviewed to satisfy the VVOE requirements. The DU validation

service will be updated on 9/20/2024 to automate the review of a supplemental asset report when provided to DU. DU will issue an updated “Close by Date” and lenders will receive employment related rep and warrant relieve provided all other requirements are met. Lenders are no longer required to obtain the supplemental asset report from the same vendor that provided the initial 12-month asset validation report.

Newrez Underwriting Guide Updates

Conventional Updates

Chapter 1B

Delayed Financing – 1B.6 Updated the Fannie Mae and Freddie Mac Requirements to indicate that Manufactured housing is only ineligible when the subject property is a singlewide manufactured home.

Single Close Construction to Permanent Transactions (Delegated Clients only) – 1B.10(a)(i) updated Fannie Mae guidelines for purchase and refinance calculation to remove CLTV.

Updated – Age of Credit Documents:

Current Policy	New Policy
<p>Age of Credit Documents:</p> <ul style="list-style-type: none"> All credit documents must be no more than four months old on the Note date (of the construction loan). All income, employment, and credit documents must be no more than four months old at the time of conversion to permanent financing. These documents may be more than four months but no more than 12 months old at the time of the conversion to permanent financing if all 	<p>Age of Credit Documents:</p> <ul style="list-style-type: none"> All credit documents must be no more than four months old on the Note date (of the construction loan). All income, employment, and credit documents must be no more than four months old at the time of conversion to permanent financing. As an exception, these documents may be more than four months but no more than 12 months old at the time of the conversion to permanent financing if all

of the following are met at the time of the original closing of the construction loan.

- Maximum 95% LTV/CLTV/HCLTV;
- Minimum 700 credit score; and
- DU Approve/Eligible.

If any of the above are not met or an eligible loan term was modified subsequent to the last DU submission:

- Obtain updated income, employment, and credit report documents no more than four months prior to conversion; and
- Requalify the borrower at time of conversion to permanent financing if:
 - The LTV increased due to a decline in property value;
 - Updated credit documents were obtained; or
 - As otherwise required per the modified loan term in the re-underwriting tolerances.

Updated asset document documentation is not required at the time of conversion to permanent financing (regardless of the age of asset documents) unless upon requalification either of the following applies:

- More reserves are required than were required at the time of original qualification (the full amount of

of the following are met at the time of the original closing of the construction loan:

- Maximum 95% LTV/CLTV/HCLTV;
- Minimum 700 credit score; and
- DU Approve/Eligible

If any of the above are not met or an eligible loan term was modified subsequent to the last DU submission:

- Obtain updated income, employment, and credit report documents no more than four months prior to conversion; and
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 - The LTV increased due to a decline in property value;
 - Updated credit documents were obtained; or
 - As otherwise required per the modified loan term in the re-underwriting tolerances.

Updated asset document documentation is not required at the time of conversion to permanent financing (regardless of the age of asset documents) unless upon requalification either of the following applies:

- More reserves are required than were required at the time of original qualification (the full amount of

<p>reserves must then be reverified); or</p> <ul style="list-style-type: none"> • The borrower chooses to bring additional funds to the transaction (the additional funds must come from an eligible source and be documented). 	<p>reserves must then be reverified); or</p> <ul style="list-style-type: none"> • The borrower chooses to bring additional funds to the transaction (the additional funds must come from an eligible source and be documented).
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Chapter 1D Product Types

Resale Restrictions – 1D.5 Updated the Table of Contents to renumber the chapter sections.

Updated 1D.5(h) Agency Specific Requirements Fannie Mae DU to remove the requirement for Form 38 Housing Development Subject to Age Restrictions document as it is no longer a requirement.

Chapter 1F Credit Updates

Moved the following statement from section 1F.6 Inquiries and Undisclosed Liabilities to 1F.2 Credit Report Standards. **For LPA transactions: Inquiries shown on credit report must be identified on subsequent credit reports (i.e. hard credit pull)**

Chapter 1G Assets

Updated 1G.3(v) Retirement Income - removed the DU and LPA grid to combined the guidelines and removed the requirement for 2 months statements but to follow DU and LPA for the number of monthly statements required.

Chapter 1H Liabilities and Debt Ratios

1H.4(c) Authorized User Accounts:

- Removed that Authorized user accounts do not need to be included in the borrower's DTI ratio calculation.
- Added – The payment for authorized user tradelines must be included in the DTI unless documented that the debt is paid by another party in accordance with those guidelines.

Chapter 1I Employment and Income

Self Employment Income 1I.4(b) Self-Employment Income Not Used for Qualification.

Update the Fannie Mae DU requirements:

- Removed – The co-borrower’s self-employment income or loss does not need to be documented or evaluated.
- Added – When co-borrower income that is derived from self-employment is not being used for qualifying-purposes, it is not required to document or evaluate the co-borrower’s self-employment income (or loss).

Updated Temporary Leave 1I.13(hh)

<p>All of the following is required:</p> <ul style="list-style-type: none">• Verification of pre-leave employment and income history;• No evidence or information from employer indicating borrower does not have the right to return to work after leave period;• Borrower's written confirmation of intent to return to work;• Agreed-upon date of return evidenced by documentation generated by the employer and provided by the borrower or employer (or third-party service designated by employer).• Age of documentation compliance requirements not required;• Verbal Verification of Employment, the borrower is considered employed if the employer confirms the borrower	<p>All of the following is required:</p> <ul style="list-style-type: none">• Verification of pre-leave employment and income history in accordance with standard guidelines;• No evidence or information from employer indicating borrower does not have the right to return to work after leave period;• Borrower's written confirmation of intent to return to work;• Agreed-upon date of return evidenced by documentation generated by the employer and provided by the borrower or employer (or third-party service designated by employer).• Age of documentation compliance requirements not required;• Verbal Verification of Employment, the borrower is
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<p>is currently on temporary leave;</p> <ul style="list-style-type: none"> • Amount and duration of borrower's temporary leave income; • Amount of regular employment income the borrower received prior to leave; and • All available liquid assets used to supplement the reduced income for the duration of leave must be verifiable. 	<p>considered employed if the employer confirms the borrower is currently on temporary leave;</p> <ul style="list-style-type: none"> • Amount and duration of borrower's temporary leave income (Not required for LPA loans where borrower is returning to work prior to the first mortgage payment) and; • All available liquid assets used to supplement the reduced income for the duration of leave must be verified.
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Prior Agency Announcements

Below is a summary of previously announced updates that have been incorporated into the Newrez Underwriting Guide.

- n/a

Product Profile Releases and Overlay Matrix Updates

Product Profile Releases:

Updated all applicable Product Profiles related to Homeownership Education requirements to include completion of Form 1103 Supplemental Consumer Information Form (SCIF)

Overlay Matrix Updates:

- n/a
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Questions

If you have any questions regarding any information in this announcement, please feel free to contact your regional sales manager or client manager.

[Newrezcorrespondent.com](https://www.newrezcorrespondent.com)

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Client Development

We offer a comprehensive training curriculum on Newrez products and processes, to keep your staff informed of the latest developments in products, technology solutions, compliance issues and process improvements. Each of these programs is offered by our training and development staff on a monthly basis and is updated regularly to reflect recent changes in the industry. Visit our [training site](#).